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FISCAL IMPACT STATEMENT

LS 6864

BILL NUMBER: SB 208

NOTE PREPARED: Apr 8, 2003

BILL AMENDED: Apr 8, 2003

SUBJECT: PILOTS and Newspaper Fee.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR: Rep. Bottorff

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires a publisher or distributor of a daily newspaper with a circulation of at least 12,500 to pay a fee of \$2 for each metric ton of paper used to publish a daily newspaper in Indiana; or one cent for each daily newspaper published outside Indiana and distributed in Indiana. The bill distributes the fees to (1) the Clean Water Indiana Fund; (2) a fund for payments in lieu of property taxes (PILOTS) for land owned or leased by the Department of Natural Resources; and (3) provide scholarships through the Department of 4-H and Youth Development of the Purdue University Cooperative Extension Service. The bill also provides that a resolution of a solid waste management district is not effective in a county, city, town, or township unless the county, city, town, or township adopts the language of the resolution by ordinance or resolution.

Effective Date: (Amended) January 1, 2003 (Retroactive); July 1, 2003; Upon Passage.

Explanation of State Expenditures: (Revised)

Payments in Lieu of Property Taxes (PILOTS). The Auditor of State must make a PILOT on May 1 and November 1 of each year with respect to land that was owned by or leased by the Department of Natural Resources on March 1 of the previous year; and is exempt from property taxes. The PILOT paid is the following amount for each acre of land owned by or leased by the Department on March 1 of the previous year:

- (1) \$2 in a county in which the Department owned or leased less than 5% of the acreage in the county.
- (2) \$3 in any other county.

The DNR owned 40,312 acres or 20% of the total acreage in Brown County; 15,833 acres, or 7% of the total in Clark County; 10,245 acres, or 5%, of Crawford County; 16,203, or 5%, in Harrison County; 19,901, or 8%, in Monroe County; 14,014, or 5%, in Newton County; and 7,916, or 6%, in Scott. Total DNR acreage in counties wherein the DNR owned 5% or more of the total acreage equals 124,424. Applying the \$3 fee would generate \$373,272. DNR acreage in the rest of the state equaled approximately 195,820. Applying the \$2 fee would generate \$391,640 in PILOTS. **Total PILOTS would equal \$764,912 annually.**

A PILOT is billed; is due; bears interest if unpaid; is subject to penalty if unpaid; and is distributed to political subdivisions within a county in the same manner as ad valorem taxes on property. The Auditor must make the first PILOT on May 1, 2004.

A PILOT is not eligible for the property tax replacement credit and is not treated as a property tax for purposes of other procedural and substantive provisions of law.

Not later than April 1 of each year, the State Land Office Division must provide the Auditor of State with a report of, for each county, the location of land and acreage of the land owned or leased by the DNR that is eligible for a PILOT. The State Land Office Division must provide the information not later than July 1, 2003, for the current year. There may be minimal administrative costs as a result of this provision.

The PILOT Transfer Account within the State General Fund is established to make PILOTS. The Auditor of State shall administer the account. Expenses of administering the account are to be paid from money in the account. There is annually appropriated from the State General Fund to the PILOT Transfer Account the amount necessary to make the PILOTS.

4-H Awards. The Director of the Purdue University Cooperative Extension Service must adopt rules to implement this provision. It is assumed that the Extension Service can absorb any additional administrative expenses associated with rulemaking given its current budget.

Audit of Newspaper Fee (See State Revenue below for information on the fee) The Department of State Revenue (DOR) may audit the publisher of a daily newspaper published in Indiana to determine if the publisher is in compliance with this chapter. The impact of this provision will depend on actions taken by the DOR.

The **Clean Water Indiana Fund** is established. The fund must be administered by the Division of Soil Conservation. The fund consists of appropriations made by the General Assembly; deposits of newspaper fees made by the Treasurer of State; and donations, grants, and money received from any other source. The expenses of administering the fund must be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the State General Fund.

Distribution of the Newspaper Fee (See State Revenues below). The Treasurer of State must distribute fees collected on newspapers. There may be minimal administrative costs as a result of this provision.

Explanation of State Revenues: (Revised)

Newspaper Fee. The proposal assesses a fee on newspaper publishers that have a circulation of at least 12,500 and publish at least five issues each week. A publisher of a daily newspaper published in Indiana must pay \$2 for each metric ton of paper used by the publisher to publish the daily newspaper. The distributor of a daily newspaper published outside Indiana and distributed in Indiana must pay a fee of \$0.01 for each newspaper distributed in Indiana. Fees must be paid to the Treasurer of State before the 15th day of each

month.

The fee provision would affect 23 Indiana newspaper publishers. These publishers reported newsprint usage in 2001 of 139,154 tons. Based on this figure, the amount of tax that would be generated by the \$2 fee would equal \$278,308.

With respect to out-of-state publishers, the Wall Street Journal reported weekly sales of 95,507 in the Chicago area which includes Lake, Porter, and La Porte Counties. Assuming that the Indiana counties comprise 15% of the circulation, or 14,326 of the total circulation, the \$0.01 fee would generate an estimated \$37,247 annually (14,326 * five days per week * 52 weeks * \$0.01). Estimates of other publishers located out of state were not readily available.

The Treasurer of State must distribute the fees collected before the last day of each month as follows:

- (1) Before July 1, 2008, 50% of the fees must be deposited in the Clean Water Indiana Fund. After June 30, 2008, 95% of the fees must be deposited in the Clean Water Indiana Fund. If \$300,000 were raised, 50% of the collections would equal an estimated \$150,000 whereas 95% would equal \$285,000.
- (2) Before July 1, 2008, 45% of the fees must be deposited in the PILOT Transfer Account within the State General Fund. Forty-five percent of the fee collection would equal \$135,000.
- (3) Five percent (5%) of the fees must be distributed to the Department of 4-H and Youth Development of the Purdue University Cooperative Extension Service to provide scholarships to 4-H club members.
Five percent of the fee collections would equal \$15,000.

Explanation of Local Expenditures: The bill provides that a resolution of a solid waste management district is not effective in a county, city, town, or township unless the county, city, town, or township adopts the language of the resolution by ordinance or resolution. The impact of this provision on local expenditures is indeterminable.

Explanation of Local Revenues: The bill provides that a resolution of a solid waste management district is not effective in a county, city, town, or township unless the county, city, town, or township adopts the language of the resolution by ordinance or resolution. The impact of this provision on local revenues is indeterminable.

PILOT Revenue. Local units would receive an estimated \$764,912 annually. This revenue would have no effect on local property tax rates or collections unless a unit elects to use the revenue to reduce its property tax levy.

Clean Water Indiana. If revenues were deposited in the Clean Water Indiana Fund, soil and water conservation districts could receive grants from this program to implement projects that would improve the quality of water in local watersheds.

State Agencies Affected: (Revised) Treasurer of State; Department of State Revenue; Auditor of State; Department of Natural Resources; Clean Water Indiana Fund; and the Department of 4-H and Youth Development of the Purdue University Cooperative Extension Service.

Local Agencies Affected: Local units that contain certain land owned or leased by the DNR.

Information Sources: State Land Office Division; Auditor of State; Department of Natural Resources; David Certo, General Counsel, Treasurer of State, 232-6386; Steve Key, Hoosier State Press Association. 624-4427.

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